

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE

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MENDOCINO COUNTY
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #09-065

FOR THE FISCAL PERIOD
JULY 1, 2005 THROUGH JUNE 30, 2008

MENDOCINO COUNTY
AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

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AUDIT REPORT NUMBER
09-065

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

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INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office perform a contract compliance audit of three contracts with Mendocino County, County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 05-0509, 06-0381, and 07-0373 for the 2005/06, 2006/07 and 2007/08 fiscal years.

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified one area with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided two recommendations to improve the compliance of Mendocino County. The County must respond in writing to these findings and recommendations.

For
Ron Shackelford, CPA
Chief, Audit Office

March 11, 2009



CONCLUSION

We recommend the PDCP accept the charges that were billed to the program during fiscal years 2005/06, 2006/07, and 2007/08. On a going forward basis, the CAC should ensure all employees' hours charged on billing invoices be supported with signed timesheets and detailed personal activity reports in accordance with the requirements of the contract and Title 2 Code of Federal Register Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225.)

AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT**REPORTABLE CONDITIONS****LACK OF SUPPORTING DOCUMENTATION FOR DIRECT LABOR HOURS**

The CAC's method of supporting direct labor hours charged to PDCP is not always compliant with the contract and existing federal requirements. The CAC charged the PDCP for clerical work such as summarizing billings, completing the monthly invoices, and other necessary administrative work for the PDCP program. Although the hours on billing invoices were supported by employee timesheets, the County does not require the clerical employees who work on multiple activities other than PDCP to maintain personnel activity reports that would demonstrate additional support for the hours being charged to the PDCP.

Title 2 Code of Federal Regulation (CFR) Part 225 (2 CFR Part 225) requires that charges for salaries and wages for employees that work on multiple activities or cost objectives be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must:

- (a) Reflect an after the fact distribution of the actual activity of each employee
- (b) Account for the total activity for which each employee is compensated
- (c) Be prepared at least monthly
- (d) Be signed by the employee

In addition, the County's monthly timesheets do not have the supervisory signatures indicating review and approval for the hours worked. The contract and 2 CFR part 225 requires that charges for salaries and wages will be based on payrolls documented in accordance with generally accepted practice of the government unit and approved by a responsible official(s) of the governmental unit.

Recommendations

1. *The CAC should ensure all employees who work on multiple activities provide additional support in compliance with 2 CFR 225 by ensuring all direct labor hours charged to the contract can be substantiated with personnel activity reports that relate hours worked specifically to the contract. This will mitigate the possibility of the State disallowing any costs claimed in the future.*
2. *The CAC should comply with 2 CFR 225 by ensuring that all timesheets prepared by employees whose hours are billed to the PDCP are reviewed and approved by a supervisor.*

COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE

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Re: Audit Report #09-065 (Pierce's Disease Control Contract Audit)

The Pierce's Disease Control Contract Audit report for Mendocino County Provided two (2) recommendations for improvement. Specifically:

- 1. The CAC should ensure all employees who work on multiple activities provide additional support in compliance with 2 CFR 225 by ensuring all direct labor hours charged to the contract can be substantiated with personnel activity reports that relate hours worked specifically to the contract. This will mitigate the possibility of the State disallowing any costs claimed in the future.*
- 2. The CAC should comply with 2 CFR 225 by ensuring that all timesheets prepared by employees whose hours are billed to the PDCP are reviewed and approved by a supervisor.*

In regard to item (1) above, we now require clerical staff to complete daily activity reports detailing hours and activities in all programs worked. This began April 1, 2009 and will be ongoing. Reports are to be submitted to the CAC on a monthly basis and will be signed by the employee(s).

In regard to item (2) above, beginning June 29, 2009 a new timesheet will be used by all staff. The new timesheet will have a signature line indicating supervisor review and approval. Each pay period the CAC will review and approve timesheets for payroll entry.

Copies of the daily activity report and timesheet have been enclosed for your reference. I am confident that these changes in procedure will be sufficient to comply with 2 CFR 225 in the future.

Sincerely,

Tony Linegar
Mendocino County
Agricultural Commissioner/Sealer of Weights & Measures

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the County of Mendocino, County Agricultural Commissioner, Ukiah, California, for its review and response. We have reviewed the response and it addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this audit report are based on fieldwork that my staff performed between March 9, 2009 and March 11, 2009. My staff met with management on March 11, 2009 to discuss the findings and recommendations.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, this report is a matter of public record and its distribution is not limited.

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office